

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

February 26, 2021

3:18 p.m.

**MEMBERS PRESENT**

Representative Zack Fields, Co-Chair (via teleconference)  
Representative Ivy Spohnholz, Co-Chair (via teleconference)  
Representative Calvin Schrage (via teleconference)  
Representative Liz Snyder (via teleconference)  
Representative David Nelson (via teleconference)  
Representative James Kaufman (via teleconference)

**MEMBERS ABSENT**

Representative Ken McCarty

**COMMITTEE CALENDAR**

PRESENTATION(S): INFORMATIONAL HEARING ON PANDEMIC-RELATED JOB  
LOSSES & REBUILDING ALASKA'S ECONOMY

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

DAN ROBINSON, Chief, Labor Research and Analysis  
Research and Analysis Section  
Department of Labor and Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Co-provided a PowerPoint presentation  
titled "The Employment Impact of COVID-19 and Alaska's  
Underlying Economic Health," dated 2/26/21.

NEAL FRIED, Economist  
Research and Analysis Section  
Department of Labor and Workforce Development (DLWD)  
Anchorage, Alaska

**POSITION STATEMENT:** Co-provided a PowerPoint presentation  
titled "The Employment Impact of COVID-19 and Alaska's  
Underlying Economic Health," dated 2/26/21.

NOLAN KLOUDA, Executive Director  
Center for Economic Development (CED)  
Business Enterprise Institute  
University of Alaska Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled "COVID-19, Households, and Businesses," dated 2/26/21.

MOUHCINE GUETTABI, PhD, Associate Professor of Economics  
Institute of Social and Economic Research (ISER)  
University of Alaska Anchorage (UAA)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled "COVID-19 and the Alaska economy," dated 2/26/21.

### **ACTION NARRATIVE**

[3:17:34 PM](#)

**CO-CHAIR IVY SPOHNHOLZ** called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Nelson, Kaufman, Snyder, Fields, and Spohnholz were present (via teleconference) at the call to order. Representative Schrage arrived (via teleconference) as the meeting was in progress.

**PRESENTATION(s):** Informational Hearing on Pandemic-Related Job Losses & Rebuilding Alaska's Economy

[3:18:59 PM](#)

**CO-CHAIR SPOHNHOLZ** announced that the only order of business would be three informational presentations on pandemic-related job losses and rebuilding Alaska's economy.

[3:19:40 PM](#)

**DAN ROBINSON**, Chief, Labor Research and Analysis, Research and Analysis Section, Department of Labor and Workforce Development (DLWD), co-provided the PowerPoint presentation titled "The Employment Impact of COVID-19 and Alaska's Underlying Economic Health," dated 2/26/21 [hard copy included in the committee packet]. He displayed slide 1 and drew attention to his section's monthly publication, "Alaska Economic Trends." He explained that two-thirds of the section's task is to produce data: job numbers, wage data, population numbers, and unemployment rates. The section also disseminates data and

trends and tries to guide people to the relevance of specific points to give the data context. He further explained that producing the data is especially relevant because it gives a special sense of when the data has problems in precision and when the data is especially good and helpful. The information is provided objectively and with policy neutrality, he pointed out. In addition to producing and disseminating the information, he added, [staff] are available to answer questions about it.

3:21:29 PM

NEAL FRIED, Economist, Research and Analysis Section, Department of Labor and Workforce Development (DLWD), co-provided the PowerPoint presentation titled "The Employment Impact of COVID-19 and Alaska's Underlying Economic Health," dated 2/26/21 [hard copy included in the committee packet]. He addressed the job loss graph on slide 2 for 2012-2020, and stated that it is the most important slide he will be showing. More than just last year must be looked at, he advised. A lot of the next three or four years is being defined not just by what happened last year but also by what's been happening during the last decade. The preliminary estimate, he reported, is that in 2020 Alaska lost about 28,000 jobs, or 8 percent. That is the largest number of jobs Alaska has ever lost in any recession. On a percent basis it is close to the 1980s, and this recession is not quite over yet; the department's expectation is to at least lose jobs for the next two or three months of 2021.

MR. FRIED remained on slide 2 and said it's important to talk about recovery. He explained that when talking about recovery in most places in the nation as a whole, they are talking about recovering what they lost in 2020, and when they do that, they will reach a new record high of employment. That isn't going to happen to Alaska, he advised, because Alaska has had a different experience - Alaska has lost employment in four out of the last 10 years. When those losses are added together, including the slight rebound in 2019, it pushes Alaska back to the levels of employment that it had in 2003 and 2004. This is because from 2012-2015 the growth was very modest. When talking about recovery, he continued, full recovery would be reaching the high that Alaska had in 2015, and this is going to take significantly longer than the rest of the country.

3:24:16 PM

MR. FRIED discussed the 2020 job losses by industry as portrayed on slide 3. He noted that almost every industry in Alaska lost ground in 2020, with the exception of the federal government because the census was taking place, which is now gone. He reported that the biggest loser both on a percent basis and in absolute jobs was leisure and hospitality, which got slaughtered because of social distancing. Hotels lost about 50 percent of their employment; the largest sector was eating and drinking, which lost about 25 percent. Transportation had huge losses because of the visitor sector, he added. He related that retail was another big loser given social distancing, but retail in Alaska had already been losing ground for many years to e-commerce. The pandemic accelerated the biggest ever jump in e-commerce in the U.S. and was no exception in Alaska. That's unlikely to change, he continued, and the retail industry is unlikely to ever recover. Looking at these numbers on a percent basis, he pointed out that oil would be number two in its losses. Health care hasn't fully recovered yet, he said, but light can be seen at the end of tunnel. However, that isn't the case for the other industries.

MR. FRIED moved to slide 4 and examined the 2020 job losses by geography. He stated that if the geography seen on this slide were to be broken into boroughs and census areas, the differences would be even more dramatic. He said Southeast Alaska was the most seriously hit during COVID-19 for several reasons: social distancing, the reluctance of local consumers to engage in the economy, the cruise industry, and a terrible fishing season. Southwest Alaska was hurt the least, he noted. Comprised of the Aleutian Islands and the Bristol Bay region, Southwest Alaska had a good fishing season from a volume standpoint, and it doesn't have big leisure and hospitality or visitor sectors. He reported that almost all the losses of the Northern Alaska region are tied to the oil sector. This area is comprised of the North Slope Borough, Nome census area, and the Fairbanks North Star Borough. He related that Gulf Coast Alaska is comprised of the Kenai Peninsula, Kodiak, Valdez, and Cordova. The Gulf Coast region has a diverse economy and got hit hard with the visitors and consumers sectors. The Fairbanks, Anchorage, Alaska, and Mat-Su regions, he continued, were affected in a similar way, with some differences.

[3:28:32 PM](#)

MR. FRIED reviewed Alaska employment by month over the last few years, as depicted on slide 5. He said the timing of this COVID-19 was really bad for Alaska because Alaska has the most

seasonal economy in the U.S., with this seasonality happening during late spring, summer, and early fall. The visitor sector is the biggest, but there is also construction, and fish processing. He noted that while almost all sectors add to Alaska's seasonality, the only counter-cyclical sectors are education, local government, and the university. The timing of the COVID-19 hit Alaska especially hard, he continued, but the losses stayed significant all year long. Alaska was still losing 8-9 percent of its jobs in December [2020] compared to December [2019] and seasonality is a big factor.

MR. FRIED brought attention to slide 6, titled "We've never lost as many jobs in a year." He said the graph of Alaska's long-term employment change from 1970-2020 helps explain the challenge that Alaska has in the future. This challenge didn't just start with COVID-19; it has been for a while, he pointed out. The size of this recession added together with the recession of just a couple years ago is bigger than anything Alaska has seen in the past. More important is that after previous recessions Alaska had strong growth, but that is very unlikely this time around for a number of reasons. Although the base was smaller, the growth was 6 or 7 percent a year during the 1970s, he said. Though there was then a giant crash, the growth in the 1980s was still 3 percent a year. Growth in the 1990s was close to 2 percent a year and in 2010 it was a little over 1 percent. Over this last decade, he continued, Alaska's employment has declined by 1 percent a year on average. That is why moving out of this and forward will be more difficult.

[3:31:32 PM](#)

MR. FRIED spoke to the graph on slide 7 of oil and gas employment from 2014-2020. He noted that the highest paid jobs in Alaska's economy are in the oil and gas sector. He specified that the overall peak in oil and gas employment in Alaska's history was in 2015, from 2016-2018 it dropped during the recession, then it began to recover a little bit, and then Alaska got hit hard again and no positives have yet been seen in those numbers. The good news is that oil is at \$66 per barrel now, but that isn't showing up in the employment sector.

MR. FRIED displayed slide 8 titled "Our 2021 forecast is for a recovery of about a third of the jobs lost in 2020." He then turned to slide 9 depicting the details of the department's official forecast for 2021. He noted the department forecasts Southeast Alaska, Anchorage, and Fairbanks.

3:32:57 PM

MR. ROBINSON continued on slide 9. He urged committee members to ask questions, request data, or suggest articles for the "Alaska Economic Trends" publication. He stated that while the department is policy neutral, good and reliable data is a key part of making good policy decisions.

MR. ROBINSON moved to slide 10 and noted that the Research and Analysis Section performs the actuarial function for the unemployment insurance system. The section tracks the funding in the Alaska Unemployment Insurance Trust Fund and, using auto-mechanisms, calculates the tax rates to make sure the state can meet its obligation to pay these claims to people who meet the criteria. He pointed out that the unemployment rate for Alaska has been an unreliable economic measure during the COVID-19 pandemic, and the section thinks it knows why. The department works with the federal Bureau of Labor Statistics to produce that number, but the section's ability to change the way it is produced is almost nonexistent. So, the section is trying to alert people that the unemployment rate is not very useful right now and not nearly as accurate or reliable as an economic measure as job numbers and these claims numbers. It is known with a fair amount of precision how many people are out of work, or at least a subset of them, by this claims data.

MR. ROBINSON continued on slide 10. He noted that before COVID-19 the highest ever number of claims in a week was about 22,000 [in January 2011]. He explained that these big data sets don't change by large numbers and they don't change quickly, so that's why the highest number during the pandemic of 52,000 [in April 2020] reinforces that this is unprecedented. This number of temporarily unemployed people is off the charts, and required that the charts be adjusted. As of February [2021], he related, the number of unemployment claims is about 19,000, more than twice what it was a year ago [9,161]. He noted that some extra programs, including the Pandemic Unemployment Assistance, provide benefits to people who aren't covered by the normal unemployment insurance system, such as self-employed and gig workers who don't pay into the unemployment insurance system.

3:36:49 PM

MR. ROBINSON showed slide 11 and related that an article in the [February 2021] issue of "Alaska Economic Trends" examines where Alaska's economy stood pre-COVID-19. He noted that there is now good news of declining hospitalizations, case rates, and deaths.

MR. ROBINSON turned to slide 12 and examined a data set that the department thinks merits attention. He explained that the graph represents domestic net migration, or movement from state to state, over the five years prior to COVID-19 (2014-2019). The graph is per 1,000 in population so that legitimate comparisons can be made across states. Net migration is the number of people who moved into a state minus the number who left. He reported that the net migration for Alaska per 1,000 people was a loss of 60. So, with a population of around 730,000, Alaska lost approximately 50,000 people. Mr. Robinson said the states that gained population have things in common - warm weather, western location, and especially strong job growth. He pointed out that job growth produces economic vitality as well as population growth. He further pointed out that states that are attracting people, that are appealing, and that people perceive as having a strong future don't lose population, which the department thinks is quite important.

MR. ROBINSON displayed slide 13 and elaborated further regarding the number of people moving to and away from Alaska every year. Drawing attention to the graph, he reported that Alaska has had seven consecutive years of negative net migration. Before this period Alaska never had more than three years. Historically, Alaska has attracted more people than it has driven away. Alaska has strong migration flows in and out - it has the most seasonality of all states and it has the largest gross migration flows of all states. He specified that in 2013 about 52,000 people moved out of Alaska and about 50,000 moved into Alaska. In 2020, fewer people left Alaska [44,674], he continued. What has changed the most is that significantly fewer people have moved to Alaska each year during that time period. Therefore, it is more of a decline in people coming to Alaska than an increase of people leaving Alaska.

[3:41:54 PM](#)

MR. ROBINSON talked about the commonalities between Alaska and the other states losing people to migration, as outlined on slide 14. He said one commonality is heavy dependence on oil and gas or coal. Wyoming has oil, gas, and coal; West Virginia has primarily coal; Louisiana has oil and gas; and New Mexico has oil and gas. He related that another commonality is budget deficits that are not just temporary shortfalls but larger imbalances. Illinois has long had legendary budget problems and its bond ratings are very bad. Wyoming has a state sales tax and historically has had lots of resource tax money. Wyoming,



like Alaska, has some big changes to make with how to fund state government. He specified that the third commonality is weak job growth. Wyoming, West Virginia, Louisiana, Connecticut, and Kansas have had noticeably weaker job growth than other states, which is one reason why they have had negative net migration. Idaho and Utah had the strongest job growth over the five years pre-COVID-19.

MR. ROBINSON displayed slide 15 and reviewed quotes from the department's closing paragraphs in the aforementioned article. He explained that a part of these quotes come from an article written going into [Alaska's] recession of 2015. At that time, the department looked at all the states that had recessions over the years, particularly those states that had had a stagnant economy, a lingering recession, to see what were the possible causes. One thing identified then, and important to look at now, is Alaska's budget situation. He advised that Alaskans should not despair because Alaska has a lot to offer the national and world economic markets, such as world-class fisheries, tourism, mineral wealth, oil and gas, relevance and importance of the military, and the Arctic. He further advised that while some of these metrics look a little dark, it should not be thought that Alaska's long-term economic future is bleak. The idea that "unusually" some of what will drive Alaska's economic health is within Alaska's control is important. "Lots of things happen to us," Mr. Robinson continued. Alaska doesn't have a lot of say in oil prices, commodities markets, tourism, or COVID-19. Alaska is going to struggle economically until the state's structural budget deficit is resolved - until the challenges of the permanent fund, oil taxes, and new types of taxes like state income and sales tax are resolved. Economies don't like uncertainty and institutions struggle with uncertainty, he explained. That is the point the department made in 2015 and again in this February 2021 issue - "Let's pay attention to that as an economic issue 'unusually' within our control." He offered to answer questions from the committee.

[3:46:11 PM](#)

REPRESENTATIVE SNYDER inquired whether the graph depicting Alaska's job loss on slide 6 reflects data on people who had to leave the workforce because they had to care for kids at home.

MR. ROBINSON replied that DLWD doesn't have much information on why people left the workforce. But, he said, national surveys are trying to determine what is happening; one new to this COVID-19 period is called the "Current Population Survey." Some



of the data shows that parents broadly, and women in particular, have left the labor force. There is concern about whether they will come back given the closure of the childcare system. This can't be quantified, he continued, but in looking at the data and the industries that have lost jobs it is thought that what can mostly be seen is the impact of COVID-19. It is yet undetermined whether they will take back their jobs when COVID-19 is over.

[3:48:43 PM](#)

REPRESENTATIVE SCHRAGE addressed slide 14 regarding the issues that Alaska has in common with other states losing people to migration. He asked whether any of these other states, or other countries with these issues, have had success addressing them currently or historically.

MR. ROBINSON responded that through this period it is a bit too current to say they have succeeded. Illinois, possibly Wyoming, had a big vote specific to their budget situation and both are still working on it and have not resolved it, so they are still roughly in the same situation as Alaska. The job growth waxes and wanes, he said, and Alaska has had some historical periods of strong growth as seen in some of the graphs. "Much of that is out of our control," he continued, although doing things right, such as infrastructure, can impact it. He related that both Wyoming and North Dakota have had worse job numbers than Alaska over the last five years. In aggregate they were both growing a little stronger than Alaska was, so they bounced out of their hard period a little stronger than Alaska has.

[3:50:45 PM](#)

CO-CHAIR SPOHNHOLZ said the job losses by industry as depicted on slide 3 make sense to her. She asked how many of the lost jobs in local government were a result of COVID-19 or a result of other kinds of revenue loss.

MR. FRIED offered his belief that most of the local government job losses were tied to closures of local schools, not the loss of revenues to local governments, although there may be a lag for that. For example, he said, the Anchorage School District has been largely closed during this period but has kept most of its employees, except for the very large group of substitute teachers. He knows of this happening in other districts, he added, and other districts may have laid off part of their workforce during their closures or while operating remotely.

CO-CHAIR SPOHNHOLZ turned to slide 10 and requested elaboration in regard to the unemployment rate being described as an unreliable economic measure.

MR. ROBINSON answered that in the best of times Alaska's unemployment rate gets smoothed a lot. He explained that there are decisions to be made in the model, and while the department gives a lot of encouragement to its federal partners to make changes, they don't always do so. One reason is because the unemployment rate has to be roughly consistent methodologically across states since so much funding is distributed based on the unemployment rate. He advised that going into this COVID-19 period the Current Population Survey, a household survey, has had a lot of problems nationally and even more so in Alaska. The survey is producing numbers that are on their face problematic, he said, one example being way fewer unemployed people than the number of people filing for unemployment insurance benefits. There are some conceptual reasons why that could be partly true, he continued, but Alaska's unemployment rate jumped unusually so early on in the COVID-19 period, Alaska was unusually high, and then it dropped unexplainably and was at 5.8 percent through December [2020]. He said that's way too low than either the jobs numbers or the claims numbers would support, and those two data sets are for a number of reasons just more reliable.

[3:54:07 PM](#)

CO-CHAIR SPOHNHOLZ requested further clarification as to why some people would be unemployed but not filing for unemployment.

MR. ROBINSON replied it's typical that a subset of people who are unemployed doesn't file for unemployment insurance. One reason is they think, correctly or incorrectly, that they will get a job again quickly. Another is because they plan to work only seasonally. It's a little bit the opposite of what the co-chair said, he pointed out. One reason it is known that this data is not especially reliable is because more people are filing for unemployment insurance than the unemployment rate model produces as a count of unemployed - like twice as many in one month. So, he continued, this household survey, and the way this model is weighted, is not accurately capturing all the unusual data movements that COVID-19 produced.

CO-CHAIR SPOHNHOLZ asked whether she is correct in understanding Mr. Robinson to be saying that more people are filing for unemployment than are actually eligible.

MR. ROBINSON responded no. He explained it's not unusual for more people to file than are eligible because they're not sure if they are eligible; so he is not saying there is fraud. Some changes were made to the unemployment insurance criteria, he noted; for example, a work search requirement that to get unemployment insurance benefits a person had to be actively seeking work. That requirement, he continued, was temporarily suspended because of COVID-19, schooling from home, and childcare being closed. People were unemployed and not actively seeking work because COVID-19 made that impractical or unfair. So, he said, there were more people filing for unemployment insurance than conceptually fit the definition of being unemployed, which has that key element that it isn't enough to not be working, a person has to also be seeking work to be counted as unemployed in this model that produces the unemployment rate.

[3:56:40 PM](#)

CO-CHAIR SPOHNHOLZ recounted that the work search requirement was suspended last year under House Bill 308, a bill advanced by the committee. She said the committee recognized that people would need unemployment but wouldn't be able to look for work because there wouldn't be a job to look for. She pointed out that it can be difficult to measure unemployment because there are many people, such as gig workers and contractors, who work but aren't eligible for unemployment because they don't pay into the unemployment insurance fund and therefore aren't eligible to claim unemployment.

MR. ROBINSON specified that they are included in this attempt to count the number of unemployed that is used to calculate the unemployment rate, but they are not eligible for unemployment insurance. He related that during COVID-19 the Pandemic Unemployment Assistance (PUA) made them eligible, as well as some other programs to temporarily cover people who weren't typically covered.

CO-CHAIR SPOHNHOLZ invited the next speaker, Mr. Klouda, to begin his presentation.

[3:58:16 PM](#)

NOLAN KLOUDA, Executive Director, Center for Economic Development (CED), Business Enterprise Institute, University of Alaska Anchorage, provided a PowerPoint presentation titled "COVID-19, Households, and Businesses," dated 2/26/21 [hard copy included in the committee packet]. He displayed slide 2 and stated he will be focusing on different aspects of the COVID-19 economy and the impacts on households, the loss of income, housing and food insecurity, impacts on businesses, impacts of the Paycheck Protection Program (PPP) and AK CARES grant program, and impacts on entrepreneurship.

MR. KLOUDA skipped slide 3 and moved to slide 4 titled "Lower paying sectors hit hardest." He explained that he grouped the job sectors by the average monthly pay so that the lowest paid sector is at the bottom of the graph and the highest paid sector is at the top. He pointed out that the leisure and hospitality sector is the lowest paid sector and had the most job losses. This sector includes bars, restaurants, hotels, visitor services, and services that require people to gather indoors. He noted that the next hardest hit sector was retail, which is also relatively low pay. Mr. Klouda specified that this depicts an important trend, called the "K-shaped recovery," or that the dynamic of this recession is falling pretty heavily on some households, especially those that earn lower wages than those that earn higher wages. This graph, he continued, is a way of showing how that occurs as far as the sectors that have produced the greatest job losses.

MR. KLOUDA addressed slide 5. He explained that this dataset is from the U.S. Census Household Pulse Survey, which has taken a sample from households in every state and asks how they are doing in terms of employment, housing, healthcare, and other attributes. This survey started out being taken weekly and then every few weeks after that, so there has been a continuous stream of information going back to May 2020. He reported that [at this point] almost half of Alaskans in that survey say that either they or a household member have experienced a loss of employment income at some point since March 2020. This means that either they themselves or someone else in their household has lost their job, or seen a reduction in hours, or some other type of reduction in pay. Since it is a survey there is a margin of 1-3 percent, he noted, but this margin isn't enough to change this percentage substantially.

[4:02:43 PM](#)

MR. KLOUDA explained that slide 6 is this same question depicted in graph form according to household income. He pointed out that for both Alaska and the U.S., the graph shows that lower earning households are far more likely to have seen an income disruption. Over 60 percent of Alaska households with less than \$25,000 in income experienced a disruption compared to just over 20 percent of households with \$200,000 or more in income. This is part of the issue that is seen of the lower earning households getting much worse economic impacts from COVID-19.

MR. KLOUDA related that Slide 7 shows two points in time in response to another survey question that asks, "Over the next four weeks do you expect either yourself or someone in your household to have a loss of employment income?" He specified that while the percentage decreased over time from [32.7 percent] in May 2020 to [24.7 percent] in February 2021], it is still a high number. So people are feeling slightly less pessimistic about future income loss, he continued, which is maybe a little bit of a sign of recovery in terms of what people are saying in these surveys.

MR. KLOUDA discussed slide 8 titled "Food insecurity creeping up in Alaska." He stated that the Food Bank of Alaska, along with other relief agencies, have reported increased demand for their services. This is supported by some of the data for food insecurity, he continued, in that the number of people who said there was "sometimes or often not enough to eat in our household in the last seven days" nearly doubled from 6.5 percent in May 2020 to [12.8] percent in February 2021.

[4:05:06 PM](#)

MR. KLOUDA moved to slide 9 and related that 40,000 Alaskans, roughly 10 percent of the adult respondents, said they are not current on their rent or mortgage and another 60,000 said they have "slight" or "no" confidence in their ability to make their next payment. He stated that during this COVID-19 pandemic, incomes in the U.S. have increased even though wage earnings have gone down because transfer payments have compensated for that. But that doesn't necessarily mean that all households get the same amount of relief; households where no one lost their job still received stimulus bill payments. So, it's not necessarily helping all households equally, he continued, although the unemployment relief has helped some of those who were the most impacted.

MR. KLOUDA added that there seems to be a bit of a disconnect given the housing market in Alaska was very strong in 2020 as far as houses sold, and how that can co-exist when people say they aren't secure in their housing situation. There is a lot to this story that isn't completely known yet, he stated, but one part of that story is that the segment of the population that has done well has been able to take advantage of low interest rates and so a lot of the activity in the housing market seems to be at the mid and more expensive tiers, the entry level houses haven't been up as much according to the information he has obtained from the municipal assessor's office in Anchorage. It isn't necessarily that more people are becoming homeowners, he explained, so much as it is houses being bought and sold among the existing population of homeowners.

MR. KLOUDA displayed slide 10 and reported that about 40 percent of Alaskans, and about the same number nationally, have been working remotely during this pandemic. He said prior census data shows that about 5 percent of the population was regularly or sometimes working remotely before COVID-19. He predicted that once things return to normal there would be an increase from pre-pandemic times in the number of people working from home. He pointed out on the graph that working remotely is much more possible for higher income households. A lot more of the professional, business, and management sectors are able to work remotely than the customer service or field work sectors. One exception, he continued, is that it dips for Alaska households that are making \$200,000 or more. This could be accounted for by the margin of error rate on these types of surveys, he explained, but it could also be that many of the Alaskans earning \$200,000 or more are skilled trades people and workers in oil and gas who don't do their work remotely.

[4:09:44 PM](#)

MR. KLOUDA turned to slide 11 titled "US business owners were not optimistic at the outset." He said the source for this graph is from a survey that came out in April 2020 - it raised many alarm bells and influenced much of the urgency for pandemic relief and business relief. This survey asked about 6,000 U.S. business owners by industry "what's your level of confidence that you can avoid permanent closure if this pandemic crisis lasts four months?" He reported that only 47 percent of these business owners said they were pretty confident that they could avoid permanently closing their doors. However, he pointed out, only 30 percent of restaurants and bars, 35 percent of retailers, and 40 percent of personal services such as beauty

and nail shops thought they could make it through four months. This same survey also showed that the median business had typically less than two months' worth of cash on hand. Back in April 2020, he related, people like himself were pretty panicked about what was going to happen and whether this would be an extinction level event for businesses.

MR. KLOUDA addressed the question asked on slide 12, "How many businesses have permanently closed due to COVID-19?" He stated that while many businesses have closed either temporarily or permanently and people have been laid off, the question is, "What is the actual number?" He qualified that there isn't fantastic data available about when a business closes because there isn't always a clear flag that a business has closed. A business might still exist in a legal sense even when it has ceased to operate, or it might continue to employ one person or the owner to close things up even after it isn't making any more sales. He related that economist Robert Fairlie has a dataset where he tracks this using the Current Population Survey, the same survey talked about by Mr. Robertson and Mr. Fried that is used for unemployment information. At the national level, Mr. Fairlie found that after the pandemic started the number of active business owners dropped by about 22 percent and then recovered to about 6-8 percent fewer business owners than before the pandemic took effect in February. That is a very concerning number, he said, because behind that is a lot of job losses and loss to community. However, he pointed out, it isn't as horrendous as it could have been and that may have something to do with the relief programs.

MR. KLOUDA explained that the data on slide 13 is from the U.S. Census Small Business Pulse Survey [of 2/15-21, 2021]. He noted that this survey of business owners is also being done frequently. He related that about three-fourths of Alaska businesses say they have had either a moderate or a large impact, [21] percent say they haven't had much effect, and [4 percent] say they've had a positive effect from the pandemic. He further related that a lot of studies have found that most of the decline in business revenue is due to the pandemic and the fear of infection more so than due to closures and mandates. An important point, he said, is that it is much more about the fear of getting the virus than it is about the mandates themselves. That's not to say the mandates don't have an impact because they certainly do, but most of it is due to the pandemic and those conditions.

[4:15:04 PM](#)



MR. KLOUDA stated that slide 14 is an analysis done by CED on the [percent of businesses/nonprofits receiving Paycheck Protection Program (PPP) loans]. He said the Small Business Administration releases detailed data periodically that allows CED to analyze which parts of the state have received money, which parts haven't, and what industries the money has gone to. He noted that while there has been plenty of loan activity since 6/30/2020, he hasn't received any data that lets him parse it for later time periods. He pointed out that Southcentral Alaska, Interior Alaska, the Highway and Railbelt area, Southeast Alaska, Coastal Alaska, and the Gulf Coast seem to get the most loans. The bar graph represents the loans as a percent of the number of local businesses in an area, he explained. He further pointed out that a very small percent of the businesses in the Yukon-Kuskokwim (YK) Delta, the Arctic, rural Interior, and Western Alaska had received PPP loans at that point in time. Those areas actually have fewer businesses per capita, he continued, but even a smaller percentage of the businesses that they do have obtained the loans; so there is a rural versus Highway/Railbelt divide. He reported that the top four of the boroughs and census areas for these loans were in Southeast Alaska, which speaks largely to the poor fishing season as well as a weak visitor season.

MR. KLOUDA specified that slide 15 depicts the percent of businesses/nonprofits receiving grants from the AK CARES program. He explained that this federal relief program came to Alaska from [the 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act], and just under \$300 million of it was allocated to grants for businesses and nonprofit organizations. He explained that CED did the same kind of analysis on the percent of businesses in each area that received a [grant]. He reported that Bristol Bay Borough was number one, which was largely driven by commercial fishermen who were eligible for this funding. He noted that this program wasn't as concentrated in the urban areas of Anchorage, Fairbanks, and Juneau; it got to a lot of the Coastal and Railbelt adjacent areas. Again, however, the Arctic, Kuskokwim, Western, and Interior rural Alaska received the lowest proportions.

[4:18:06 PM](#)

MR. KLOUDA elaborated on the graphic of job losses by economic region shown on slide 16. He said he included this graphic to compare to the regions that received the most of those relief programs. Southeast Alaska was hit the hardest with employment

loss, he stated, so it makes sense that Southeast Alaska would be a larger recipient of some of those funds.

MR. KLOUDA spoke to slide 17, titled "Did Alaska get 'its share' of PPP loans?" As of 6/30/20, he related, something like \$1.2 billion came to Alaska through the federal PPP; more money has come since then, he allowed, but he doesn't know the total figure that has come to Alaska. He said the question asked of him is whether Alaska has received a lot or a little compared to other states or compared to the U.S. as a whole. By CED's estimates, he related, Alaska did almost exactly the same as the U.S. - 14 percent - in terms of the total number of loans as a percent of the total number of businesses and nonprofits in Alaska. He further related that the average loan amount in Alaska [\$111,705] was a little bit higher than the U.S. average [\$106,746]; and the total loan amount on a per capita basis was also a little bit higher [\$1,692 for Alaska and \$1,594 for U.S.]. Overall, he summarized, Alaska did average compared to other states.

MR. KLOUDA explained that the graph on slide 18 shows the weekly new business starts in Alaska based on paperwork filed with the Internal Revenue Service (IRS) from January 2020 to February 2021. Something seen during most recessions is that the number of people starting businesses tends to increase, he said. It's countercyclical to the economy overall and is largely a reaction to a poor labor market, some portion of those who are unemployed decide to create their own job. Nationally the number of people starting businesses has gone up very considerably in 2020, he continued, but in Alaska it is a little bit more ambiguous and has trended both up and down. The important point here is that the new businesses getting started have a lot of potential of being future job creators, he specified. Work done by CED a few years ago showed that most of the net private sector employment growth in Alaska is due to new businesses being started more so than to existing businesses expanding, he said in conclusion.

[4:21:59 PM](#)

REPRESENTATIVE SCHRAGE asked whether the loan amount comparisons between Alaska and the rest of the U.S. depicted on slide 17 are adjusted for the higher cost of living in Alaska and the effect that might have on residents.

MR. KLOUDA replied that it is purely the total dollar amount divided by the number of people in Alaska and the U.S. The loan amount was slightly higher, he stated, which in itself may

reflect that the cost of business is a bit higher because the loan amount was somewhat based on operating costs, especially payroll, which might translate into a bit higher loan amount and that might translate into a higher amount per capita.

REPRESENTATIVE SCHRAGE offered his understanding that there may be an indirect adjustment in the loan dollars received as a result of higher operating costs in Alaska, but there is not a direct adjustment. He further understood that more of a delta might be seen between Alaska and the U.S. on average if it were looked at with cost of living directly factored in.

MR. KLOUDA responded correct, no direct adjustment made, but it probably does indirectly reflect those factors.

REPRESENTATIVE SCHRAGE, in regard to slide 18, asked how long the lag period tends to be between when a new business starts up or a license issued, and the increased availability of jobs is actually seen.

MR. KLOUDA answered that it varies quite a bit given some would be owner/operator businesses and some would be businesses planning to scale up to hundreds of employees in the future. For those businesses that end up employing people, he said, it often ends up being a period of a year or two before the first employee. Typically, the first five years or so is the time period when businesses will see very fast growth in the number of people they employ.

[4:25:15 PM](#)

REPRESENTATIVE SNYDER thanked Mr. Klouda for addressing food insecurity as related to the pandemic. She stated that the numbers on slide 8 differ a bit from the numbers reported elsewhere. The discrepancies are important to note, she said, given [the state's] emergency declaration is expired, and impacts are anticipated to the [federal] Supplemental Nutrition Assistance Program (SNAP). She calculated that the 13 percent depicted on slide 8 would equate to about 95,000 people in Alaska. She related that according to Feeding America, one the nation's largest hunger organizations, the number is closer to 125,000 or 17 percent, a difference of about 30,000. She explained she is flagging this difference for future discussions about impacts and potential responses. She invited Mr. Klouda to respond.

MR. KLOUDA pointed out that a question could be asked, or food insecurity defined in a lot of different ways in a survey, and each one is valid in its own different way. There is a spectrum of need, he continued, that is hard to capture in the type of survey data he is presenting.

4:27:13 PM

CO-CHAIR SPOHNHOLZ stated that the food insecurity numbers shared by Mr. Klouda and Representative Snyder are concerning. She related that the Food Bank of Alaska has seen about a 43 percent increase in need for services this year, which is very concerning. She recalled Mr. Klouda's figure of 40,000 people not current on their rent or mortgage and 60,000 who are not confident in their ability to make their next payment. She pointed out that about \$300 million in rental and utility assistance relief is available to Alaskans, which includes funds that went to the Municipality of Anchorage, Alaska Housing Financing Corporation (AHFC), and tribal organizations across the state. Applications are being coordinated centrally, she explained, and to qualify an applicant must be 80 percent or lower of median area income and have been impacted by COVID-19. She directed people to the website [alaskahousingrelief.org](http://alaskahousingrelief.org) for determining their eligibility. She related that AHFC believes that everybody who applies will receive some funds, and eligible recipients can get up to 12 months in relief with an option to extend up to three more months after that.

CO-CHAIR SPOHNHOLZ invited the next speaker, Mr. Guettabi, to provide his presentation.

4:29:42 PM

MOUHCINE GUETTABI, PhD, Associate Professor of Economics, Institute of Social and Economic Research (ISER), University of Alaska Anchorage (UAA), provided a PowerPoint presentation titled "COVID-19 and the Alaska economy," dated 2/26/21 [hard copy included in the committee packet]. He displayed slide 2 and explained he would focus on his June 2020 forecast that tries to chart the path for Alaska for the next couple of years. He said he would also discuss things that are potentially worth keeping in mind as committee members think about big policy questions over the next few months.

DR. GUETTABI drew attention to slide 3 and said clicking on the words written in blue would take members to his detailed forecast that has lots of information he won't be able to get to

today. He noted he would not address all 41 slides in his presentation so that there would be time for questions.

DR. GUETTABI moved to slide 4 and highlighted that his forecast is an employment based monthly forecast by sector. He said the forecast relied on a host of datasets created over the last year/year-and-a-half that included spending, foot traffic, and survey data, as well as assumptions about the number of tourists in 2021, what would happen to oil prices, and the scale of federal aid. Making forecasts in the midst of a pandemic is challenging and has value, he stated, but the forecast has many assumptions in a world that is rapidly changing.

4:32:20 PM

DR. GUETTABI said slide 5 outlines where he sees Alaska going. Alaska was in a low growth environment pre-COVID-19, he specified, and during Alaska's big recession from 2015-2018 some 11,000 jobs were lost. Alaska then had fairly modest growth in 2019. He related that his forecast for 2020 pre-pandemic was calling for 0.7 percent growth, which is fairly modest. The Department of Labor and Workforce Development (DLWD) was calling for about 0.4 percent growth. That was the environment in which Alaska walked into the pandemic, he said. He is fairly confident that Alaska will see growth in 2021 and 2022, he continued, but it is important to note that Alaska will be starting from a very, very low level of employment. This means that under even fairly rosy assumptions he doesn't see Alaska coming back to pre-pandemic levels at the end of 2022, rather Alaska will be somewhere close to 95 percent of pre-pandemic levels by the end of 2022. Those pre-pandemic levels were already fairly low because of that 2015-2018 recession, he added. That paints a picture of the weak labor market that Alaska has had to deal with. He urged committee members to remember that the path for the recovery depends largely on: 1) the epidemiological curve, meaning the vaccination rate and what happens with the virus, and 2) the policy front, meaning how big the federal package ends up being and whether the state decides to inject money into the economy, help communities, and help businesses.

DR. GUETTABI spoke to slide 6. He said his June 2020 forecast anticipated that Alaska would end 2020 with about 7.5 percent lower employment than in 2019, and the most recent DLWD numbers show Alaska to be 7.5-8.0 percent lower than the previous year. He reiterated that he thinks there will be growth in 2021 and 2022, but that it's going to be fairly low growth. He cautioned

that some sectors are going to look like they are growing really fast, like leisure and hospitality, but said it's because they are coming from a really low base. He advised using year-over-year numbers, meaning compare March to March, in order to get a sense of where things are. He warned that if month-to-month is used, the growth rates are going to look fantastic and give a misleading picture of what is going on.

4:35:56 PM

DR. GUETTABI turned to slide 7 and urged committee members to remember that it is as bad as it is despite the significant amount of federal aid that has been injected into Alaska's economy. He related that the data on slide 7 is from the U.S. Bureau of Economic Analysis and shows that personal income actually increased between the first and second quarters of 2020, with personal income being the sum of [personal income, transfer receipts, and property income]. He pointed out that on a macro or aggregate basis the amount of transfers injected dwarfed the amount of losses from earnings. But, he cautioned, just because there is more money in the system now than before does not mean that there aren't pockets of the economy, sectors, regions, individuals, households that are struggling. It's important to remember, he continued, that absent this aid things would have been considerably worse. He stated that this "doesn't say there's too much money in the system, it says we should not remove money from the system too quickly because this has allowed us to maintain some semblance of stability and we should try and ideally do as much as possible to stabilize economic activity."

DR. GUETTABI brought attention to slide 8 and noted it is [the dollar change in personal income and select components in Alaska for 2020] for the first to second quarter and the difference between the third quarter and the second quarter. He explained the graph shows that the expiration of many of the federal programs resulted in transfer receipts when comparing the third and second quarter to decline; then net earnings started going up because of some reopening and some rehiring, but the increase in earnings did not offset the decline in transfer receipts.

DR. GUETTABI advised committee members to think about two things when looking at a slide like slide 8. First, he said, at a very macro level there is a lot of money. People lucky enough to keep their jobs have much higher savings rates than in the past, most of the expenditures have moved away from services toward goods. Hopefully, when most people have been vaccinated and the

economy reopened, there will be pent-up demand and opportunity to spend money. Second, he continued, there still is a need for considerable amount of aid because the increase in earnings is fairly modest, many people are still unemployed, and the labor market is weak. There are few economic catalysts, meaning that in looking across sectors it's very hard to identify the source of economic growth without assistance because Alaska's engines of growth have been badly damaged and are contingent on external forces that the state can't exactly control.

[4:39:56 PM](#)

DR. GUETTABI said the graph on slide 9 compares employment by sector between Alaska and the rest of the U.S. Alaska, he stressed, is much more similar to the rest of the country than it is given credit for, meaning Alaska's economy from an employment perspective is much more diversified, but revenues are a different story. Alaska has some differences that are important, he continued, but from an employment perspective the economy has changed quite a bit and resembles the "average" economy in the U.S.

DR. GUETTABI explained that slide 10 takes the numbers from slide 9 and shows where Alaska has a higher concentration of jobs when compared to the rest of the U.S. He said Alaska has six times as many jobs in mining and oil and gas than the rest of the U.S. As well, Alaska has considerably more jobs in fishing. He noted that this is about structure of the Alaska economy and stated that economic structure is important to think about when forecasting and giving thought to a catalyst for coming out of the recession and what the sectors are of the future.

DR. GUETTABI explained that the graph on slide 11 depicts wage and salary employment [in 2002, 2010, and 2019]; it ignores anyone who is self-employed or who doesn't receive a W-2. He said jobs were good between 2002 and 2010, but that he thinks of the time period from 2010 to 2019 as a lost decade in terms of growth because Alaska only gained about 6,000 jobs after accounting for the losses due to the state's oil recession.

[4:42:56 PM](#)

DR. GUETTABI continued to slide 12, a decomposition [of employment by sector in 2002, 2010, and 2019]. He said the decomposition is important to understand before starting to think about the pandemic. First, he stated, most people think



of Alaska as an oil state, which it is; but oil jobs directly do not dominate. Oil and gas is connected to many other sectors in the economy, but the vast majority of jobs are in healthcare, retail, leisure and hospitality, and in local government. Second, he continued, when looking at the year 2019 it can be seen that most of the growth over the last 10 years or so came from healthcare and leisure and hospitality, and most of the other sectors were either flat or negative.

DR. GUETTABI addressed slide 13 depicting growth rate by sector during 2002-2010 and during 2010-2019. He stated that slide 13 is an ugly slide, but intentionally so. He pointed out that between 2010 and 2019 there are a lot of negatives, and where there are positives, they are fairly small. That tells that the economy was struggling, he said, which is important background when thinking about tools that should be implemented to fix the economy or to ensure that "Alaska 2.0" is strong and can attract business and can attract talent. He noted that slide 13 concludes the background information.

DR. GUETTABI specified that slide 14 lists the big assumptions that were made to produce the forecast that was released in June [2020]. Regarding the first assumption [that the federal government will continue to provide financial assistance], he noted that at that time there were discussions about whether there would be a second federal assistance program, which there was and now there is talk about a third. Regarding the second assumption, he said he used the Department of Revenue's oil price forecast [that showed oil prices will remain low but stable for the next two years]. He related that oil prices have been trending up over the last few weeks, so as of today oil prices are a bit higher than what he had assumed them to be. However, he advised, even though oil prices have been ticking up, jobs have not been coming back along with them. Regarding the third and perhaps most important assumption, Dr. Guettabi said he assumed there would be no big secondary closures in which the economy comes to a halt. Regarding his fourth assumption that there would be normalization, or near normalization, of travel in 2021, he said there is now a headwind because currently the tourism season is in jeopardy given the potential cancelation of cruises. He explained that these underlying assumptions comprise this economic model that has historical relationships and also has within it the shocks. To the extent that things have changed since the forecast, which they have, since he was not anticipating that Alaska would miss out on a second tourism season, those would be headwinds that would drive down the forecast or be considered a downside risk.

4:47:13 PM

DR. GUETTABI spoke to slide 15 regarding the percentage change in total nonfarm employment year over year using December data from the U.S. Bureau of Labor Statistics for the years 1960-2020. He noted the black lines are the other U.S. states and the orange line is Alaska. He drew attention to the year 2020 at the far right side of the graph and pointed out that this is a nationwide phenomenon; Alaska is not unique in struggling with employment losses as a result of the pandemic. Employment in Alaska and the rest of the U.S., he said, dropped in a hockey stick shaped decline, but Alaska wasn't the worst hit state.

DR. GUETTABI moved to slide 16 and expounded further on how Alaska compares to the other states. He said the magenta bar represents Alaska in this graph, which uses the December data to depict employment loss [in each state between 2019 and 2020]. Relative to the previous years, he reported, Alaska's employment data in December was 6.5 percent below last year's December data. This is slightly different than the Alaska Department of Labor and Workforce Development data, he noted, but this is harmonized with the rest of the country and still makes the point that some states have lost more jobs, and some have lost fewer jobs. He explained that this would look slightly different if June data was used because Alaska is much more seasonal, which is what really complicates this recovery.

DR. GUETTABI showed slide 17 and elaborated on how seasonality complicates Alaska's recovery. He said the graph, which uses 2019 data, shows Alaska's seasonality in relation to the rest of the U.S. The faint grey lines represent the other states, he explained; the orange line represents Alaska and is employment in every month relative to January. The orange line shows that Alaska's employment absolutely balloons over the summer, he pointed out, with employment in June being 15 percent higher than January. Most states don't get anywhere close to that, he continued, so that's one source of concern for Alaska businesses and for Alaska employment, and why it's potentially dangerous if some of these businesses end up missing out on what is almost 29 months of business.

DR. GUETTABI turned to slide 18 and compared the actual and the forecasted employment by sector in 2020. He noted that when the forecast was released, half of 2020 was real data and so he forecasted the second half of 2020. Given the information that was had at the time, his overall forecast comes fairly close to

what was seen in 2020. He said he was concerned about his local government numbers, and while they held up well, he doesn't know if that will continue. Additionally, his numbers for oil and gas were optimistic, but jobs just kept being lost. He pointed out that healthcare saw a big drop but is now close to pre-pandemic levels. Healthcare is the only sector where he can see a recovery, he continued. Everything else is still on shaky ground even though construction has done okay thus far.

[4:51:23 PM](#)

DR. GUETTABI reviewed his employment forecast on slide 19 for 2021 and 2022, which is depicted in percent growth rates by sector. He explained that the category labeled "All" represents the Alaska economy statewide as a whole, and he sees 2 percent growth next year contingent on his aforementioned assumptions. He said he has yet to update the numbers because it is unknown what the tourism season is going to look like. If it ends up being as bad as it's currently looking, then his forecast is probably too optimistic and will need to be scaled back. He drew attention to retail and leisure and hospitality, the two sectors he shows leading in terms of growth rate. He explained that this isn't because suddenly things are going to be fantastic, but rather because the base of employment is so incredibly low. Therefore they are going to be seeing big growth rates, but they aren't going to be anywhere close to pre-pandemic levels even if things play out as he anticipates them to look.

DR. GUETTABI discussed his wage and salary forecast depicted on slide 20. He said Alaska has a bump in total wages and salaries during the summer that is seen in basically every sector's forecast. In his opinion, he continued, this bump is going to be much more muted, meaning normalization of employment may start to be seen in the non-summer months. He cautioned that there are big questions about the summer bump and how robust it will be on the back end of this, given there are big question marks about appetite for travel, number of businesses that have survived, and can money be captured from tourists.

DR. GUETTABI continued to slide 21. He noted that his forecast for the leisure and hospitality sector doesn't anticipate another bad season of tourism, yet the forecast is for a fairly muted summer employment bump. His forecast anticipates an improvement, he explained, but not as big of a bump as in previous years because under the best of circumstances Alaska isn't going to get back to those record levels of tourists.

Even if Alaska had gotten a good season, he continued, it's unlikely that every single person that would have traveled would have come and would have spent in the same way. He further explained that even though there are people who are financially healthy, the financial health of the consumer isn't fully understood because of the mortgage moratoriums and programs that are making a lot of the data very hard to interpret and, when there are surveys, they are based on very small numbers.

[4:54:46 PM](#)

DR. GUETTABI noted that the improvement in air travel shown on slide 22 is for the same day of week, same month, relative to the previous year. As of January, Alaska was hovering at about 40 percent of last year's levels, he reported. While clearly much better than where Alaska was in April, it's still much lower than the numbers to which Alaska is accustomed. He said he is showing this because one of the hopes is that even with a delayed or with a canceled cruise season, maybe people will change modes of transportation, but leisure travel isn't going to be at the levels to which Alaska is accustomed.

DR. GUETTABI drew attention to the original summary of leisure and hospitality detailed on slide 23. He said there are big question marks, and in developing the forecast he tried his best to be transparent about where are the land mines, where are the headwinds, where are the tailwinds, and to what is the forecast sensitive. He stated he is a regional economist by training and always tells people that this is a statewide forecast. He specified that: no two industries have been affected in the same manner; yes, every industry has been affected; and no two parts of the state have been affected in the same way. Tourism-dependent communities are losing out on bed taxes and sales taxes. The amount and type of aid that different communities are going to need is going to be different, he advised. Different sectors are feeling this to a different extent, and that variation is important. Healthcare is essentially back, he continued, but leisure and hospitality will not be back to its pre-pandemic level for years.

DR. GUETTABI said slide 24 shows that the healthcare sector has bounced back fairly and is looking like it will be close to pre-pandemic levels in the next few months, as his forecast had anticipated. He stated that he does not anticipate very fast growth out of this sector, but it is a bright spot in terms of employment. The economy has a complicated relationship with

healthcare, he explained, because it is not a basic sector and doesn't sell anything to other states.

DR. GUETTABI skipped slide 25 and addressed slide 26 regarding different paths for different sectors. He reiterated that the type or the amount of aid that different places need is going to be different. He related that much of the conversation over the last few months has centered on targeting and whether the targeting should be done by income, by region, or by need. Those are important and difficult questions, he said. He offered his opinion that targeting is expediency of getting dollars in the hands that need them versus efficiency or making sure of using the scarce dollars properly. He stated that it was never a V shaped recovery for Alaska, nor for the U.S. At best, he predicted, it will be a "Nike swoosh" of a gradual recovery with continuous momentum.

[4:58:59 PM](#)

DR. GUETTABI skipped slide 27 and went on to slide 28 regarding policy and the different horizons that need to be considered. He said the questions outlined on the slide are the ones he thinks will be the most important ones. He explained that slides 28, 29, and 30 show different ways of trying to stabilize the economy. He said he thinks the economy is going to need stabilization and assistance, but the form of assistance is a question mark that legislators will need to figure out.

[4:59:53 PM](#)

REPRESENTATIVE KAUFMAN commented that the solutions seem to be about aid, but earlier in the presentation he heard that there are the COVID-19 impacts and the seasonality problem that is also impacted by that. He stated that in an economy there are wealth originators, the things that create the wealth that trickles down. Regarding the slide that shows oil does not dominate the economy and there are other jobs, he asserted that oil is key in injecting capital into the economy. Many people are paying for goods and services with resource derived paychecks that enable them to have healthcare and to live in Alaska, he noted. He asked what Dr. Guettabi sees within the seasonality problem and Alaska's resources to reduce the seasonality of jobs and have more people with year-round resource development or farming jobs that produce or originate prosperity.

DR. GUETTABI replied that he agrees the oil and gas sector contributes to the economy through other things aside from jobs. In terms of changing the Alaska economy or making it less dependent on seasonality, he advised that that requires some structural changes. Alaska's biggest problem is leakage, he stated, meaning a lot of value gets generated in Alaska but a lot of it leaves Alaska, whether through oil and gas, fishing, non-resident employment, or supply chains that are in other states. So that is a big structural question. In the meantime, he continued, when he talks about aid, what he doesn't want to see happen is the Alaska economy to be considerably weaker on the back end of this pandemic. For example, aid is about mitigating business failure. He would like to see as many businesses make it through the pandemic so that when tourists come back and when the oil and gas industry starts hiring again, people have places to spend money and Alaska has a robust economy that can attract labor and attract capital. He said he thinks he and Representative Kaufman agree, but he is concerned about the amount of damage that can be done if businesses are left to fail or parts of the state feel the brunt of these losses because a thriving economy is wanted on the backend of this pandemic and right now there is a lot of weakness. When looking at the data, he related, it is really hard to see where the organic growth comes from.

REPRESENTATIVE KAUFMAN remarked that doing all of the above would be managing the transition, managing the change. Alaska has had a stagnant economy for years, he said. He posited that if the impact created by COVID-19 is managed in the near-term and then if in the mid-term investment was attracted by opening up opportunities, then that would help accelerate because the capital will be attracted and the mere attraction of that will bring a positive economic impact.

DR. GUETTABI responded that it is about time horizons and it is correct that there are the immediate concerns and then making Alaska as attractive as possible should be a goal in order to have that organic growth post-pandemic.

[5:05:32 PM](#)

REPRESENTATIVE SCHRAGE recalled Dr. Guettabi referencing the decreased confidence in the economy and the tendency for people to put more of their money into savings. He asked what role do economic stability and business confidence play in getting some of that money being put into savings back into the Alaska economy and flowing.

DR. GUETTABI answered that he did an analysis a few years ago on the effects of economic uncertainty, which can be crippling to economic activity. He explained that when people don't know whether they will have a job in six months, they put individual-level investments on pause. Business investments are also put on pause. Anybody thinking about moving to Alaska or investing in Alaska will question that decision. He said he doesn't have the numbers in front of him, but in his paper, he tried to quantify the effect of uncertainty and he can say that uncertainty results in millions of dollars of losses through these missed opportunities because businesses are less likely to hire, and individuals are less likely to spend money. He advised that the sooner there is fiscal stability the sooner it is known what the world looks like in the future, and the sooner that unleashes capital at the individual level and at the firm level. Minimizing uncertainty really pays off, he continued, because every economic player cares about it and doesn't like it. Doing things to minimize uncertainty means fixing the budget and knowing what is being done to potentially assist the economy or recovery. The faster that is done and the more transparent the better the economy will be for it. He offered to provide members with his paper in which he comes up with numbers to quantify the effect of economic uncertainty.

REPRESENTATIVE SCHRAGE said he would love to see the paper. He asked whether Dr. Guettabi has recommendations on whether there is anything particular to the pandemic that legislators can do this year to address some of the uncertainty and business confidence. He further asked whether a bigger factor with business certainty or uncertainty is more healthcare and control of the virus.

DR. GUETTABI replied it's important. He posed an example of a business that is at the margin trying to decide whether to close its doors. He advised that clarity about whether there will be assistance and how much and how the assistance will be distributed will certainly make a difference. In terms of confidence from a health perspective, he said the safer Alaska can make it for people to come to the state the more likely people are to choose Alaska. He pointed out that all the beautiful places around the world are now marketing themselves as the safest place on the planet in order to draw passengers. He added that clarity in terms of aid or assistance, and doubling down on safety when thinking about the summer season, are investments that have fairly high return on investment.



5:11:17 PM

CO-CHAIR SPOHNHOLZ thanked the presenters. She noted that committee members are trying to understand the impacts of COVID-19 on Alaska's economy, where to go from here, and what responses the legislature needs to undertake this year to help Alaska's economy get back on step.

5:12:30 PM

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:13 p.m.